



**STATE OF CONNECTICUT**  
**DEPARTMENT OF PUBLIC UTILITY CONTROL**

DONALD W. DOWNES  
CHAIRPERSON

**House Bill 6306: AAC ESTABLISHING A CODE OF CONDUCT FOR THE  
TRANSACTIONS BETWEEN NATURAL GAS DISTRIBUTION COMPANIES AND  
THEIR AFFILIATES**

February 3, 2009

**TESTIMONY OF CHAIRMAN DONALD W. DOWNES**

The DPUC supports the passage of this proposal. This proposal requires the DPUC to adopt a code of conduct to govern the manner in which transactions are permitted to occur between gas companies (gas distribution companies) and their affiliates.

Specifically, this proposal's provisions:

- Establish a new statutory term "affiliate" that is defined to include the range of entities that should be covered by the proposed code of conduct, and specify the meaning of other key terms that are used in this proposal.
- Outline the minimum standards for the goals and objectives that are to be addressed in the code of conduct (ex. procedures to safeguard against natural gas company ratepayers subsidizing the operations of their affiliates).
- Provide the DPUC with the authority to investigate a company's compliance with the code of conduct, and grant the DPUC the ability to enforce the code by issuing cease and desist orders/ levying civil penalties against entities subject to the code.
- Specify that the code of conduct shall not prohibit communications necessary to restore service or to prevent or respond to emergency conditions.
- Require the DPUC to promulgate regulations by 1/1/10 to establish the specific code of conduct, accounting and reporting requirements, and procedures for gas company and affiliate compliance. These new regulations would set specific standards for the procedures, purchases or sales of goods or services, system of records, accounting, and reporting requirements for these types of transactions.

Currently, there is no state statute or regulation that sanctions the development of a common code of conduct that would set the standard for all natural gas company transactions with their affiliates. As a consequence over the years, the DPUC has addressed these issues in a range of different administrative proceedings (CT has three regulated gas companies). The resulting DPUC decisions have established a broad

array of guidelines that have been largely constructed to correspond to the specific facts and situations that we asked to address. Not surprisingly, our standards and guidance to the natural gas companies has varied from docket to docket. The DPUC believes that the current fragmented process and structure inadequately protects natural gas ratepayer's interests because comprehensive rules are not in place to ensure that transactions between natural gas companies and affiliates are conducted in an appropriate manner. Following the passage of this proposal, the DPUC will adopt detailed regulations that will establish a generic set of rules to govern all transactions between natural gas companies and their affiliates. The adoption of these regulations will provide the DPUC with an enhanced legal basis to prohibit or limit preferential treatment by a regulated natural gas company of its affiliates.